

**INTERNAL AND EXTERNAL PAY EQUITY  
PERCEPTION AMONG MANAGERS IN THE  
MALAYSIAN OIL & GAS INDUSTRY**

**BY**

**HERNI SOFINI OMAR**

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## **TABLE OF CONTENTS**

<b>DEDICATION</b>	<b>vi</b>
<b>ABSTRACT</b>	<b>vii</b>
<b>ABSTRAK</b>	<b>viii</b>
<b>ACKNOWLEDGEMENTS</b>	<b>ix</b>
<b>DECLARATION</b>	<b>x</b>
<b>SUBMISSION FORM</b>	<b>xi</b>
<b>LIST OF TABLES</b>	<b>xii</b>
<b>LIST OF FIGURES</b>	<b>xiii</b>
<b>LIST OF ABBREVIATIONS</b>	<b>xiv</b>
<b>1.0 INTRODUCTION</b>	<b>1</b>
1.1 Background of the Study	7
1.2 Problem Statement	10
1.3 Research Objectives	12
1.4 Significance of Study	13
1.5 Limitations of Study	14
1.5.1 Respondents	14
1.5.2 Approach	15
1.5.3 Findings	17

<b>2.0 LITERATURE REVIEW</b>	<b>18</b>
2.1 Introduction	18
2.2 Motivation and Money	18
2.3 The Role of Pay	23
2.4 Pay Equity	27
 <b>3.0 RESEARCH METHODOLOGY</b>	 <b>32</b>
3.1 Introduction	32
3.2 Research Design	32
3.3 Study Population	33
3.3.1 Sampling Procedures	33
3.4 Research Instrument	34
 <b>4.0 RESULTS AND DATA ANALYSIS</b>	 <b>36</b>
4.1 Introduction	36
4.2 Data Analysis – Demographic Data	37
4.3 Data Analysis – Ranking of Variable Data	40
4.4 Data Analysis – Pay Equity	43
4.4.1 Economic Comparison	44
4.4.2 Individual Comparison	46
4.4.3 Internal Work Content Comparison	47
4.4.4 External Work Content Comparison	49

<b>5.0 DISCUSSION AND CONCLUSION</b>	<b>51</b>
5.1 Introduction	51
5.2 Pay Influence	51
5.3 Pay Equity	53
5.4 Overall Conclusion	57
5.5 Recommendation	58
 <b>REFERENCES</b>	 <b>59</b>
 <b>APPENDICES</b>	 <b>68</b>
 <b>APPENDIX I - Questionnaire</b>	

To my loving parents, Omar Saad and Sofiah Hamid, my wonderful husband, Kamaruzaman Radzuan and my two cute and adorable sons, Aniq Syahiran and Aniq Syahmi, for their endless love, understanding and support.

# **ABSTRACT**

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## **INTERNAL AND EXTERNAL PAY EQUITY PERCEPTION AMONG MANAGERS IN THE MALAYSIAN OIL & GAS INDUSTRY**

**By**

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**December 2007**

**Supervisor: Professor Dr. Raduan Che Rose**

The study focused and examined the perception of both local and expatriates managers within the Malaysian Oil and Gas industry on pay equity and the perceived influence of several variables in salary determination within their current organizations.

Based on Jaques (1967) study on pay equity, the perception was tackled from four aspects – the individual comparison, the economic comparison and the internal and external work content comparison. From this exploratory research, it was found that more than 50% of the respondents had strong negative perception towards pay equity. In other words, pay equity was seen not to exist within their current organizations.

Apart from that, it was also found that the managers perceived that their years of relevant experience in the particular area of specialization and expertise are the two main influences on their salary determination. On the contrast, gender and luck were perceived by the managers to have the least influence towards their salary determination.

# **ABSTRAK**

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## **PERSEPSI DALAMAN DAN LUARAN DI KALANGAN PARA PENGURUS YANG BERKHIDMAT DALAM INDUSTRI PETROLEUM DAN GAS DI MALAYSIA TERHADAP KEADILAN GAJI**

Oleh

**HERNI SOFINI OMAR**

**Disember 2007**

**Penyelia: Professor Dr. Raduan Che Rose**

Tujuan utama kajian ini adalah bagi mengenal pasti persepsi di kalangan para pengurus, sama ada mereka ini pekerja asing mahupun pekerja Malaysia, yang terlibat di dalam industri petroleum dan gas di Malaysia terhadap tahap keadilan penggajian. Kajian ini juga melihat persepsi mereka terhadap faktor-faktor yang menentukan tahap gaji yang mereka terima daripada syarikat di mana mereka berkhidmat sekarang.

Menurut kajian yang telah dijalankan oleh Jaques (1967), keadilan penggajian dapat dilihat dari empat sudut perbandingan – perbandingan individu, perbandingan ekonomi, perbandingan dalaman dan luaran terhadap kandungan atau bebanan kerja. Dari penyelidikan yang bersifat rambang ini, dapat dilihat bahawa lebih 50% di kalangan pengurus mempunyai kecenderungan yang negatif terhadap keadilan gaji yang mereka terima sekarang. Dalam erti kata lain, para pengurus melihat bahawa gaji yang mereka terima daripada syarikat yang mereka bekerja sekarang tidak setimpal atau adil di mata mereka.

Selain daripada itu, kajian ini juga telah menunjukkan bahawa para pengurus mempunyai persepsi yang pengalaman dan pengkhususan merupakan dua peranan yang amat penting dalam penentuan tahap gaji yang mereka terima. Berlainan pula dengan persepsi para pengurus terhadap jantina dan nasib. Mereka menganggap bahawa dua faktor ini tidak penting dalam penentuan tahap gaji mereka pada hari ini.

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This work would not have been possible without the support and guide of my dedicated supervisor, Professor Dr. Raduan Che Rose, Deputy Dean – Corporate Affairs, Research & Consultancy, Graduate School of Management, Universiti Putra Malaysia. As my teacher and mentor, he has taught me more than I could ever give him credit for here. I would also like to take this opportunity to thank all my committed lecturers and valuable classmates at Open University of Malaysia. I would treasure the experience and knowledge gained throughout my career and personal life.

Nevertheless, nobody has been more important to me in the pursuit of this project than the members of my family. I would like to thank my parents, Omar and Sofiah, whose love and guidance are with me in whatever I pursue. They are the ultimate role models. Most importantly, I wish to thank my loving and supportive husband, Kamaruzaman, and my two wonderful sons, Syahiran and Syahmi who provide unending inspiration for me to become a better person each day.

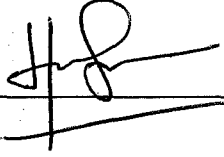


## DECLARATION

Name : Herni Sofini bt Omar

Matric. Number : CGS00079601

I hereby declare that this project paper is the result of my own work, except for quotations and summaries which have been duly acknowledged.

Signature:  Date: 4th January 2008

## PROJECT PAPER/ CASE STUDY SUBMISSION FORM

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Matriculation No. : CGS00079601

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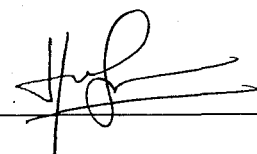
Dear Sir,

Attached are the following documents for your evaluation and examination.

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- (II) Chapter 2: Literature Review
- (III) Chapter 3: Methodology
- (IV) Chapter 4: Results and Analysis
- (V) Chapter 5: Discussion and Implication of the Study.

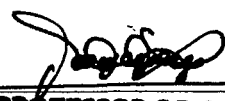
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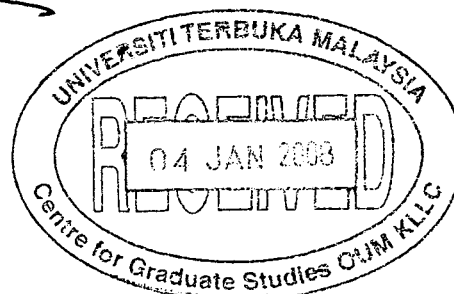
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**PROFESSOR DR. RADUAN CHE ROSE**  
Deputy Dean  
Graduate School of Management (GSM)  
Universiti Putra Malaysia, 43400 UPM  
Serdang, Selangor D.Ehsan



## LIST OF TABLES

<b>Table No.</b>	<b>Table Title</b>	<b>Page</b>
Table 1	Top 10 Countries of origin of Immigrants to Australia, Canada and the United States	18
Table 2	Stock of Foreign Workers in Receiving Countries in East & South East Asia, Most Recent Year	20
Table 3	Demographic Data Summary	52
Table 4	Variable Ranking Data Summary	54
Table 5	Data Summary for Economic Comparison	58
Table 6	Data Summary for Individual Comparison	60
Table 7	Data Summary for Internal Work Content Comparison	62
Table 8	Data Summary for External Work Content Comparison	63

## LIST OF FIGURES

Figure No.	Figure Title	Page
Figure 1	Pay Equity	44
Figure 2	Dotplot of Variables	57

## LIST OF ABBREVIATIONS

<b>Abbreviation</b>	<b>Full Term/Meaning</b>
PETRONAS	Petroleum Nasional Berhad
PSC	Production Sharing Contractor
NOC	National Oil Company
EPF	Employee Provident Fund
E&P	Exploration and Production
LNG	Liquefied Natural Gas
OECD	Organization Economic Co-operation and Development
USD	American Dollar

# **CHAPTER 1 – INTRODUCTION**

## **1.0 Introduction**

Petroleum Nasional Berhad or in short, PETRONAS, is the first Malaysian National Oil Company (NOC) which was incorporated on 17 August 1974 under the Companies Act 1965. It is wholly-owned by the Malaysian government and is vested with the entire ownership and control of the petroleum resources in Malaysia through the Petroleum Development Act 1974, an Act of Parliament.

Over the years, PETRONAS has grown to become a fully-integrated oil and gas corporation which is ranked among FORTUNE Global 500's largest corporations in the world. PETRONAS has ventured globally into more than 33 countries worldwide and has grown into a wide spectrum of oil and gas operations, both locally and globally, in the areas of upstream oil and gas exploration and production (E&P) to downstream oil refining; marketing and distribution of petroleum products; trading; gas processing and liquefaction; gas transmission pipeline network operations; marketing of liquefied natural gas (LNG); petrochemical manufacturing and marketing; shipping; and property investment.

Based on the basic principals of supply and demand, globalization has encouraged the increased in cross border movement of both goods and skilled immigrants. Due to the effect of this phenomenon, the lack of Malaysian skilled resources in the various specialized fields within the oil and

gas industry has resulted in the majority of the upstream activities of both offshore Peninsular Malaysia and East Malaysia, undertaken and managed through Production Sharing Contractors (PSC) by international renowned oil and gas companies like Shell, ExxonMobil, Murphy Oil, Talisman, Newfield and others, with the active involvement of PETRONAS's subsidiary, PETRONAS Carigali Sdn Bhd.

Realizing this fact of expertise shortage in certain areas of industries like electronics, manufacturing, automotive, oil and gas etc., the Malaysian government drew a guideline for employment of expatriates where it mentioned that foreign companies are only allowed to bring qualified personnel for areas where there is a shortage of trained Malaysian to do the job. At the same time, foreign companies are also urged to train up Malaysians so that the employment pattern at all level of management will reflect the multi-racial composition of Malaysia. Another government guideline calls for only five expatriate posts to be allowed for a company with foreign paid-up capital of USD 2 million. Any expatriate is allowed to hold any executive posts which require professional qualifications up to only ten years as the company is expected to train Malaysians to eventually take over the posts.

According to Mitchell (2006), in 2005, there were almost two hundred million international migrants. Much of this migratory flow is driven by the gross inequity in wealth, wages and opportunity between the developed and developing world. Even though this is not the case for most of the skilled

expatriates in Malaysia, Harris (2004), in his study concluded that a world labor market is now in operation but without any of the transparency required to put the right worker in the right job. According to him, a world labor market requires a global exchange in which real scarcities in many different localities can be matched against the immense diversity of those offering work, and wages levels reflect those scarcities.

Thus, in most economic analysis of international migration, it is found that the movement of workers is usually from the less developed to more developed countries in search of higher wages and better working conditions. In the absence of legal restrictions on immigration, cross-border labor mobility could thus be assumed to depend on the size of the gap in labor-income (wages, working conditions and social security arrangements) that exists between industrialized and developing countries. (Amjad, 2002).

In the case of expatriates working in Malaysia, the migration costs are usually borne by the company and these costs include costs of mobilization from the country of origin for their spouse and children, accommodation (hotel costs, apartment rental, utility bills etc), transportation (airline tickets, car rental, petrol allowances, company driver etc), work permits, visas, children schooling fees and many others. This is considered as a standard normal practice as most of the oil and gas companies in Malaysia find this as a pull-factor and catalyst for attracting expatriates to work in Malaysia. On the other hand, the local Malaysian workers are normally given the medical and insurance benefits, education assistance scheme, EPF contribution by



employer, housing loan interest subsidy and car loan interest subsidy as standard benefits.

But the issue of cross-border labor discussed in this study is not merely focusing on immigrations of foreign skilled workers into Malaysia. Another important and alarming concern is the issue of migrations of Malaysians to other countries. The following Table 1 shows the Top 10 countries of origin for immigrants to Australia, Canada and the United States. The countries in the Top 10 list consist of common country of origin like China, India, Philippines and United Kingdom.

Table 1

Top 10 Countries of Origin of Immigrants to Australia,  
Canada and the United States

AUSTRALIA, 2002		CANADA, 2000		U.S. 2003	
1	United Kingdom	1	China (exc. Taiwan)	1	Mexico
2	New Zealand	2	India	2	India
3	China (exc. Taiwan)	3	Pakistan	3	Philippines
4	India	4	Philippines	4	China (exc. Taiwan)
5	South Africa	5	South Korea	5	El Salvador
6	Philippines	6	Sri Lanka	6	Dominican Republic
7	Indonesia	7	United States	7	Vietnam
8	Iraq	8	Iran	8	Colombia
9	Sudan	9	Yugoslavia	9	Guatemala
10	Malaysia	10	United Kingdom	10	Russia

Source: Asis (2005d: 10, table 1).

A study by Ghose (2002), mentioned that in a world of increasingly freer trade flows, freer migration will bring few benefits to developing country. But on the other hand he also mentioned that international migration is a force of divergence because it accentuates the inequality of skilled endowments between industrialized and developing countries.

In Table 2, the number of foreign workers in countries like East and Southeast Asia are clearly illustrated. From this table, it showed that Malaysia has the highest total of foreign workers (skilled and unskilled) besides Japan. Based on a separate report by OECD in 2005, it was revealed and said that in Malaysia, 50.8% of the highly skilled employees are expatriates. This is evidently a concern as the percentage is higher than countries like the United States of America, Japan and even the Philippines. It should be the nation's fear if this shows an escalating trend over the next coming years.

However, Harris (2004) mentioned that the issue of migrations to the developed countries may prove to be temporary. He predicted that it could be over the next half century, a fully integrated world economy emerges and migration flows between the developed and developing countries may come to decline or even be in reverse direction. Maybe there is truth in what has been put forward by Harris as this is currently to be happening in Malaysia.

Table 2

Stock of Foreign Workers in Receiving Countries in  
East and Southeast Asia, Most Recent Year

COUNTRY	LEGAL [YEAR]	UNAUTHORIZED [YEAR]	TOTAL	SOURCE(s)
Southeast Asia				
Brunei	150000	na	150000	Asian Migration News,
	[2004]		[2004]	30/09/04
Malaysia	1470000	400000	1870000	cited in Bloomberg, 2005;
		(other ests: 300,000;		Asian Migration News,
		500,000)		15/04/05; 31/05/05
Singapore	621000	na	621000	cited in Orozco (2005)
Thailand	1269074	400000	1669074	Asian Migration News,
	[2004]	[2004]	[2004]	15/05/05
		800000		Country statement of
East Asia				Thailand (2005)
Hong Kong	340000	na	340000	cited in Orozco (2005)
Japan	1973747	219428	2193175	2004 figure is cited in
	[2004]	[2003]	[2005/2004]	Migration News, n.d.
				Ministry of Justice cited
				in Iguchi (2005)
	870000		1089428	Estimate by Iguchi (2005)
	[2003]		[2003]	
South Korea	179000	199000	378000	Migration News (2005)
	[April 2005]	[April 2005]	[April 2005]	
Taiwan	512664	16000	528664	
	[Nov 2004]	[Nov 2004]	[Nov 2004]	
Total	6315485	1234428	7549913	
	5211736	1634428	6846166	

Notes: For Japan, the legal figure refers to the registered foreign population; the shaded figure is based on Iguchi's (2005) estimate of foreign workers; the unauthorized figures refer to overstayers. For Taiwan, the unauthorized migrants refer to absconders. The shaded figures are alternative estimates.

Source: Asis (2005a:20, Table 1)

As shallow water reserves of oil start to deplete throughout the period of more than 30 years of PETRONAS building and advancing the Malaysian oil and gas expertise, today, PETRONAS starts to embark into new offshore deepwater developments and technologies in which once again, an area many claimed that Malaysia is lack of talents. This leaves Malaysia with little options or no choice but to employ skilled resources from abroad.

Carneiro and Arbach (2004), wrote that one of the consequences of higher technology was the increasing demand of skilled workers at the expense of less skilled. The search for a higher efficiency and quality level may have contributed to lead firms to rationalize and modernized production, which also tend to shift to demand in favor of skilled workers. And as Malaysia's oil and gas industry moves simultaneously with the recent hike in oil price of about USD 90 per barrel, it is the main focus of this study is to reveal the perception of both the local and expatriate managers on pay equity and their view on their salary determinant factors.

## **1.1 Background of the Study**

In May 2007, the Malaysian Prime Minister, Datuk Seri Abdullah Ahmad Badawi had announced a pay hike, between 7.5 percent and 35 percent for over one million of civil servants, as well as a 20 percent additional rise for police and military personnel. It was said that it has been a long wait since the last increase in pay for the government sector. Apart from wanting to motivate the government servants to

better service the public, it was seen as a way to help reduce the burden of 100 percent increase in cost of living over the last 15 years. The pay raise was seen appropriate as the recent trend of hike in petrol price has increased the price of most commodities. On the private sector, the Prime Minister left it to the employers to determine any salary increase depending on their respective affordability.

Apart from motivation, the move in pay raise of civil servants can also be viewed as a method of prevention of corruption among the civil servants in the government sector. In Malaysia, the anti-corruption agency has been entrusted with ascertaining that candidates with appointments or promotion of important posts in the private and public sectors have not been involved in corruption. Another main effect for reward condition was found that as pay satisfaction increased, turnover intention decreased. This is usually due to the increased in reward level.

A good match between resources (supply) and demands from both the organization and individual perspectives will lead to a high level of need satisfaction and job performance (Porter *et al.*, 1975). Numbers of several researches have suggested that human need structures are virtually universal among individuals (Alderfer, 1969; Herzberg, 1987; Maslow, 1970). Although not all individual needs are the same and equal, Maslow and Alderfer assumed that people are driven by needs

hierarchy where both their studies have provided a more complete explanation of why people's needs change over time.

Though money is seen as one of the factor which may drives one's job performance, motivation, ability, role perceptions and situational factors are the four factors that have a combined effect on any individual's performance. In other words, people who have the drive (motivation) would execute their job duties (role perception) well if they are provided with sufficient resources (situational factors) and adequate knowledge and skills (ability).

A previous study has concluded that not just salary or pay, but organizational citizenship behaviors, defined as "individual's behavior that is discretionary, not directly or implicitly recognized by the formal reward system", are also important and quite highly related to job satisfaction (Murphy, Athanasou, and King, 2001).

But then again, money and other financial rewards are an essential and fundamental part of the employment relationship. Financial rewards also represent the primary form of exchange where it compensates employees for their competencies, behaviors and performance. Monetary compensation relates to two objectives in organizations – controlling labor costs and attracting, retaining and motivating employees. Organizations need to strike balance between wages and benefits in order to satisfy employees' needs and stay competitive (Chiu, Wai, and Li, 2002).

The macro economic issues are complex and need to command prime attention of government to ensure, amongst other things, that employment equity and the diversity that it creates within the companies work towards the competitiveness of the country. The challenge also exists on the operational level to identify sound business reasons for the diversity created by strategies to achieve employment equity (Thomas, 2002).

As defined by Gunderson (1994) in his work, equal pay for equal work requires that the jobs have to be identical before comparisons can be made. Equal pay for substantially similar work requires that the jobs have to be substantially the same but can slightly differ in some dimensions. Equal pay for work of equal value allows comparison across dissimilar jobs providing they are deemed as equal value.

Nevertheless, Naumann, Minsky and Sturman (2002), concluded that all fields treat entitlement as related to what a person perceives he/she deserves, although why it is deserved is an area of intense debate.

## **1.2 Problem Statement**

The study established within this framework is hope to be viewed as a platform to understand whether the current salary standard and environment would be a push factor in driving away local talents to work abroad instead of a pull factor to retain them. Therefore, it is a

major concern and the main focus of this study to obtain information on whether the managers within the Malaysian oil and gas industry are satisfied and motivated by their salary in promoting their job performance.

The questions which need to be answered are:

- a) Is Malaysia truly lacking of local, able, talented and skilled resources within the Malaysian oil and gas industry?
- b) Is the motivation factor (in this case, salary), is inadequate or perceived to be unfair and result in driving away our skilled talents from working in Malaysia?
- c) Does pay equity among the local and expatriates perceived to be of any existence by the managers within the Malaysian oil and gas industry today?
- d) Is it a fact that there are double or different scales of salary applied among the local and expatriate managers within the Malaysian oil and gas industry?

The facts derived from this study should be viewed as critical motivation factors as more and more skilled and expertise are required with the first deepwater production, the Kikeh oilfield project was on stream in the August 2007.



### **1.3 Research Objectives**

This study is conducted to obtain input from the managers (both local Malaysian and expatriates) working in the oil and gas industry in Malaysia. The research is to assess their satisfaction level of their current salary and their perception on the variables determining their current salary. The result of the study will help to understand the actual perception of these managers in terms of salary satisfaction and pay equity.

Specifically, the research attempt to answer the following objectives:

- a) Determining the factors which the managers perceived to highly influence their salary determination.
- b) Obtaining perception of pay equity among the managers based on economic comparison
- c) Obtaining perception of pay equity among the managers based on individual comparison.
- d) Obtaining perception of pay equity among the managers based on internal work content comparison.
- e) Obtaining perception of pay equity among the managers based on external work content comparison.

## **1.4 Significance of Study**

Apart from identifying and verifying the perception and satisfaction level of Malaysian managers in the oil and gas industry with their current salary, the impact of this study would be seen in formulating some of the possible solutions on motivating and keeping talents within the Malaysian oil and gas industry. It would also provide answers to whether the perceived double scale salary of managers among the locals and the expatriates in the Malaysian oil and gas industry truly exist or merely accusations. It is also interesting to see if both the categories of managers agree in the same manner of issues related to pay equity.

The results obtained can possibly be used as a basis to compose new framework of guidelines and policies of wages and entitlement to ensure employment and pay equity across the Malaysians and expatriates who are attached to the oil and gas companies in Malaysia. The effect is primarily focused to open up organizations to re-look and evaluate their current pay and reward systems to ensure justice and fairness is practiced towards motivating their managers. It is important to recognize that the issue of pay equity should not be taken lightly as this will cause a chain reaction in the long term manpower supply and planning involved within the organizations.

Without realizing the importance of equity and equality in the work place, we might not be able to employ and sustain the resources

(supply) of skilled talents especially local (Malaysians), and this obviously will have a great impact on the future of Malaysia and its organizations in terms of hiring (demand) and succession planning.

## **1.5 Limitations of Study**

Due to certain constraint while conducting the study, it is only fair to make clear of the research circumference. This is to avoid misunderstanding and misinterpretation of the findings from this study and ensure that the conclusion made is purely based within these limited perimeters.

### **1.5.1 Respondents**

The questionnaires were distributed to 107 managers via two medium - electronics mail and delivered directly by hand. Total of 30, in which only 25 locals (Malaysians) and 5 expatriates, with a mix of female and male managers responded and returned the survey. All of these managers worked within the Malaysian oil and gas industry. The managers are attached to companies throughout the Peninsular Malaysia which consist of different and various aspects of the oil and gas industry including engineering and design consultants, PSCs, upstream operations, suppliers, construction or ship yards and downstream operations. It should also be worthy to note that the

correspondents did not include any managers from Sabah and Sarawak due to the limitation of time and list of contacts.

Due to the data of unequal balance of the locals and expatriates and the small number of respondents, the data obtained from the respondents might not be able to be used to represent the whole population. The relatively small numbers of respondents are seen to be caused by the fact that salary is somehow viewed to be confidential by most individuals and might not be a straight forward information to reveal to strangers or anonymous individuals. Salary or pay related issues is often perceived as "private and confidential" matter and therefore, some individuals are seen to be feeling uncomfortable disclosing such information and that it is not appropriate to share the salary related affair with unknown or unfamiliar faces.

Nevertheless, the data collected from the thirty respondents are found to be statically sufficient, which are then analyzed in order to enable understanding of the matter discussed and help formulate a conclusion of this study.

### **1.5.2 Approach**

The approach used to obtain data for the purpose of this study is based on questionnaires distributed to the managers. The questionnaires were sent through two methods - via postal

mail and electronic mails to potential respondents. For the electronic mail method, the respondents were asked to connect to the online questionnaire via a link created and contained in the electronic mail. As the method and questions were structured with replies in a straight forward and direct manner, the response anticipated and received strictly falls only within the limitations of opinions or choices given in circumference of the survey.

As time is seen to be a major constraint to this study, it is only appropriate not to have respondents to express opinions other than the available choices in the survey as this will complicate and lengthen the data analyzing process. Due to no personal opinion or open answer was encouraged and anticipated, consequently, the data received is limited to the expected answers put forward to the respondents by the questions. As a result, the findings of the study are believed to be very limited and less in-depth, in which might not be able to represent the population as a whole and provide a full and thorough understanding of the individual perceptions of pay equity among the all the managers.

### **1.5.3 Findings**

Another limitation to this study is the high likelihood that the results and findings obtained from the respondents are unable to be used to generalize and represent the total population in Malaysia. This is due to the limited time, sample size, the questionnaire's options or choice of answers and locations where the pool of respondents was taken from.

As the findings only include a total of 30 respondents, in which only 5 are expatriates, and do not include the managers from East Malaysia (Sabah and Sarawak). It is obvious that the findings which include managers in East Malaysia potentially will have different perceptions of their level of salary and motivation on job performance and might have influence on the overall result of this study. There is no question that if the East Malaysian managers were to be included and analyzed simultaneously with the data obtained from the Peninsular Malaysia managers, the result might possibly be poles apart.

## **CHAPTER 2 – LITERATURE REVIEW**

### **2.0 Literature Review**

#### **2.1 Introduction**

This new chapter will introduce the reviews of relevant literature and theory related to the study. It acts as the foundation in understanding pay equity and the significant factors which impact the motivation and job performance of individuals. The chapter will be divided into three different sections which touch on motivation and money, the role of pay and finally, pay equity.

#### **2.2 Motivation and Money**

Motivation is the inner state or drive of an individual to behave and act the way they do to accomplish their goals. Theories of motivation are theories which explain and emphasize on how and why people are motivated. The Needs – Goal Theory, Vroom Expectancy Theory, Equity Theory and Porter-Lawler Theory, all starts with the individual feeling of a need or needs that must be fulfilled in the process of achieving a goal. Theories of motivation like these to work have passed through many stages, influencing and being influenced by the prevailing management ideologies and philosophies of each era.

Although we can trace a sequence to this development, it does not mean that the old theories have died. As such, it is vital and important for any organization and its people who manage the companies understand the personal needs of those employees.

One of the basic needs of any individual is security. In today's world, money or income might be viewed as a way of security. Majority of the working population look upon income as a mean of security of their job, status in society, rank of position in the organization or even as simple as being the security of the main "bread provider" for their family.

According to Chiu, Wai and Li (2002), employers have significantly a higher concern for pay than job applicants. Participants consider pay as "the most important factor" for the other person, a commonly held belief by most managers. These researchers also found that employees in both Hong Kong and China do have cash mentality where money is said to "obviously satisfy their needs".

Therefore, money is often sighted as an important factor in satisfying individual needs where it allows people to fulfill their basic needs like buying food and shelter. Financial gain also often perceived as a symbol of personal accomplishments and consequently, relate to growth needs. Most of needs-based theories of motivation agree that motivation begins with individual needs and their underlying drives and these needs often trigger behaviors to satisfy those needs.



Money also seems to have gained importance in people's lives as one major survey reported that compensation is one of the top three factors attracting individuals to work with an organization (Chicago: Author, 2001). People with high need of achievement are not primarily motivated by money but they do value money as a source of feedback and a representation or acknowledgement of goal achievement. In other words, money is a way of "keeping score" of their success. Money or salary however, creates a strong bond and relationship between both employees and employers ever since the day of employment. This is because it reflects the way the organization distributes its money and benefits in aligning and driving the individual employees' in achieving their goals to meet the organization's objectives. Thus, money affects the motivation, needs, emotions and self-perception of the each employee.

People's behaviors stem from their culture, values, attitudes and aspirations. The reasons of individual's willingness to take on a period of operation abroad can vary, from willing to be exposed to different experiences and enriched lifestyle, through a willingness to relocate, either as a stage of career path or to gain higher external marketability (Baruch, Steele and Quantrill, 2002).

A separate study by Hugo (2002) found that economic motivations were clearly dominant for moving overseas as reasons given by the respondents are higher income, professional development, job

promotion, employment transfer, gaining employment experience etc. This somehow contradicts with their reasons to return to their country of origin as the reasons given are mainly due to family and lifestyle.

However, Borjas (1997) concluded that the economic literature has not devoted sufficient attention to the public on financial implications of immigration for the host country. The link between immigration and the welfare state in many host countries not only raise questions about the tax burden the immigrants might impose on the natives, but also whether the welfare state alters the incentives to encourage migration and stay in a host country in the first place.

Chew and Wirtz (2002), once mentioned that from a behaviorist perspective, people who are rewarded for a behavior, are more likely to engage in the behavior again. A monetary incentive (reward) can be used as a re-enforcer to shape that behavior. In other words, incentives can function as an extrinsic motivator.

Hence, employees, in general, can be said to be motivated by their salary and other monetary incentives (performance bonuses, sales commission, dividend pay out etc.). These token of appreciation is normally given upon completing their tasks and achieving their yearly goals. Therefore, the more motivated they are, the more likely these employees will be committed to their jobs and stay longer with the organization. Thus, ensuring low employment turnover and higher probabilities of smooth succession planning.

But on the contrast, McBain argued that people want more out of their jobs than just money, and that extrinsic rewards not only diminish intrinsic motivation but large extrinsic rewards can actually reduce creativity and innovation. Other problems noted by McBain include the difficulty in measuring individual performance, perceived unfairness, the potential for fraud and customer alienation, and the absorption of management time.

Nevertheless, the findings of Brunetto and Farr-Wharton (2002), confirmed that the employees expect a two-way loyalty construct between themselves and the management in order to create efficient and effective employees. Somehow this is aligned to the employees' motivation and commitment mentioned earlier. The question imposed by Brunetto and Farr-Wharton was: "How can an organization expect commitment from its employees when management practices compromise their employees' job satisfaction?"

As cited by Gerhart, Minette and Rynes (2004), money is not the only motivator and the primary motivator for everyone, but the overwhelming evidence showed that money is an important motivator for most people. As thus, it builds a strong foundation and basis for this research to include the focus into the level of satisfaction of their salary among the managers in order to understand the logic and respond to the question of whether these managers are kept motivated and satisfied working in their organizations.

## 2.3 The Role of Pay

In his study, McBain mentioned several 'dangerous myths' about pay:

1. Labour rates and labour costs are the same thing.
2. Labour costs can be reduced by cutting labour rates.
3. Labour costs constitute a significant proportion of total costs.
4. Low labour costs are a potent and sustainable competitive weapon.
5. Individual incentive pay improves performance.
6. People work for money.

To him, it is productivity that matters, not rate of pay, and he disputes the claim that competing on labour costs will create sustainable competitive advantage. Instead, organizations should compete on quality, customer service, product, process and service innovation, or technological leadership.

Marsden (1995), seemed to agree as in our societies, wages or pay fulfill different functions in each organization and are not compatible between one and another. For some organizations, in the first instance, it is a cost of production. Therefore, minimum wages is needed in order for their product to be more competitive. But again, wages is also a source of motivation.

From a different perspective, labor or human resources differ from other commodities exchanged within the economic system because it

cannot be separated from the workers' social values and norms which they take to their workplace.

Another important factor that determines the salary rate is skill. Superior skills can be defined in term of staff capability, systems or marketing savvy not possessed by a competitor. A superior resource is defined in terms of physical resources that are available to help strategic implementation, such as operating scale, location, comprehensiveness of distribution systems, brand equity or manufacturing.

McBain believes that skill-based pay programmes link remuneration to the attributes of individuals (in terms of knowledge, skills and abilities), rather than to the attributes of jobs. The advantages of such programmes to organizations have been identified as:

1. increased workforce skill base;
2. increased flexibility;
3. decreased labour and supervision costs;
4. increased product quality;
5. increased productivity.

For the individual employee the benefits may include:

1. jobs with greater skill variety and significance;
2. more task identity;
3. greater autonomy;

4. increased involvement in quality through greater involvement in the production process;
5. rewards for increasing skill.

Another distinct finding by Rosenzweig (2006) showed that the student “brain drain” from a country that results from investing in domestic university capacity depends importantly on how the skills are valued domestically. One of the evidence given was Nigeria and Korea. Nigeria by doubling its university has increased 33% to 35% permanent students outflow compared to Korea, which has 13 to 23 times skill price of Nigeria would loose only 5.5% to 6.9% more students. Rozsenzweig also found that the students from low-wage countries seek schooling or education in high-wage countries as means of augmenting their chances of obtaining high-wage jobs in those high-wage countries.

Malaysian managers once stated that promotion is the most important work goal as it is instrumental to a higher paying position (Chan and Pearson, 2001). Pay and promotion procedures and policies is said to matter to both organizations and employees, as this will shape employee’s perception of fairness and justice, and hence, their commitment to the organization (Morris, Yaacob and Wood, 2003). The positive correlation of career success and salary also proved that career commitment is highly related to salary level (Poon, 2004).

On top of what have been said, some might view money as a symbol of status which relates to the instinct and drive to acquire. Because work today has become more central to people's lives, achievement is defined in terms of wealth and professional success where people prefer more salary than fewer working hours (Herbig and Genestre, 1997).

Cultural values also seem to influence people's attitude towards money where one recent study shows that the Chinese and Japanese give money high priority in their lives whereas the Scandinavians, Australians and New Zealanders have a strong equity values that discourages people from talking about money openly or displaying their personal wealth. Even so, it is safe to say that there is no doubt that money also earns a person's respect in a community and confers a sense of freedom/power to an individual.

Tang et al. (1997) found that the Chinese equate their levels of achievement attained to money and argue that because of this attitude towards money, the Chinese are more driven towards accomplishments. As a result, this attitude has been considered a powerful stimulant to economic growth in the past in Asia.

## 2.4 Pay Equity

Organizations apply a variety of monetary rewards to attract, motivate and retain employees. Each reward can relate to a specific objective such as seniority, job status competencies and performance. Each reward is perceived differently by individuals and thus, has its advantages and disadvantages. According to Naumann *et al.* (2002), employee's entitlement is treated the same by all fields and is related to what a person perceived he/she deserves. From the legal stand point, entitlement is viewed as something owed by law and constitutes certain inalienable rights.

Similar to Naumann *et al.*, UK nation's librarians were said to deserve compensation, commensurate not just with their education, skills and experience but with those who have comparable education and skills, such as accountants, engineers and system analysts (Ashcroft, 2003). People are generally dissatisfied not with their salary but the transparency of the organization procedure or ways connected with their salary negotiation (Pors and Johannsen, 2002). It is noteworthy that perceived pay fairness was the highest in the equitably rewarded condition (Shore, 2003).

In Japan, there are three major factors that found to have an impact on Japanese company's analysts: monetary incentives, human resource development or personal growth and job autonomy or task achievement (Kubo and Saka, 2002).



Morris, Yaacob and Wood (2003), also mentioned that determining pay is often subjective and not usually a simple task. It revolves around our perception of “equity” and “fair” factor. If we feel “happy” and “satisfied” about our pay, this will help us to be motivated and committed.

A study by Huseman *et al.*(1985, 1987) suggests that there are three types of individuals who respond to equity/inequity in the work setting:

- i) *Benevolent*: High tolerance of under reward and inequity to others
- ii) *Entitleds*: Perceived equity when their outcomes exceed their inputs
- iii) and *Equity Sensitives*: Adhere to equity theory by preferring equality between outcomes and inputs

In terms of pay allocations, equity was the primary criterion for U.S. managers but on the other hand, equality was found to be a significant criterion for the Chinese managers (Miller, Miller and Zhang, 1997).

Through numerous series of studies made worldwide, pay equity affects not just motivation but also has affects on employment equity where discrimination of race (Thomas, 2002) and gender (Agocs, 2002) were the common issues seen. Pay equity complements employment equity by addressing wage discrimination that affects workers in female-dominated occupations (Agocs, 2002).

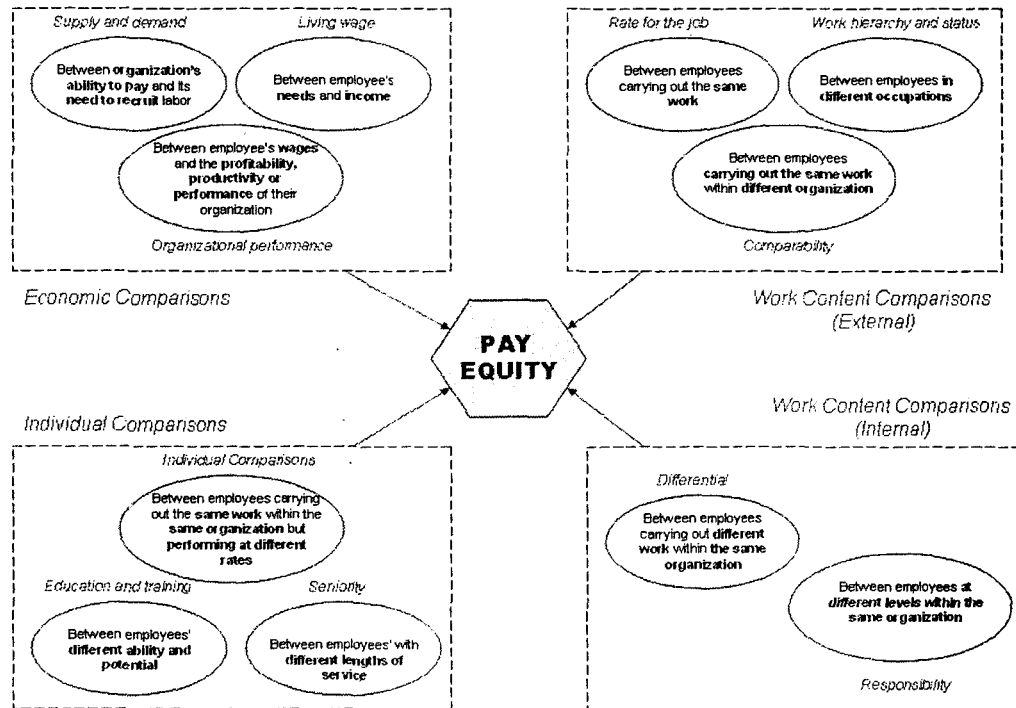
Gunderson (1994), in his research, mentioned that pay equity applications can have specific design or implementation features and

these features can have different definition of gender, merit, seniority, experience, training, shortages and over-time of job rates. Pay equity involves estimation of wage by establishing a relationship between pay and job evaluation scores.

Seaman, Krismann and Hamilton (1999) also agreed that the differences in pay for the same job could be attributed to race, class, gender or age. Pay inequity was also seen as acts of discrimination against race, age, religion or gender.

On the other hand, Jaques (1967) believes that pay determination must be seen from two contexts: the economic and the sociopolitical contexts. As such, it is dependant on individual's desire to maximize income through their living standards, and management's desire to minimize the organization's wage costs and maximize shareholder returns. "Equity", therefore is not an absolute but a relative concept which often involves "the nature of differential treatment rather than equal treatment of individuals". Based on Jacques's study, pay equity can be achieved through the balance of the elements as explained above, which is illustrated in the next Figure 1.

Fig 1. Pay Equity



Jacques also mentioned that the equity in pay can be achieved through the balance in economic, individual and work content comparisons. Income from employment must satisfy both the economic and social needs. This not only include the need to provide the basic necessities of food, clothing and shelter, but also other expenditures which highly dependant on the domestic circumstances. The economic comparison is tie into the individual's standard of living and other factors like supply and demand factors, inflation and cost of living.

As we know, for expatriates in Malaysia, who are included in this study sample, migration is not costless; the process of relocation

involves substantial transportation, communication and search costs for the individuals concerned. According to Amjad, trends in international migration, therefore, are also influenced by the trends in these costs; migration increases when costs decline.

The work content comparison is viewed through internal and external comparisons where the rate of the job principle of equity is based on the belief that the employees who carry out the same work or utilizes the same skills should receive the same salary. This comparison is done among individuals within different departments and different organizations.

In the pursuit of getting the right salary for the right job, studies by Barrett, Burgin and Duffy (2005) and Zavodny (2001) found that the impact of earnings inequality is reversed when immigrations is primarily unskilled. In other words, what is defined as “skilled” or “high skilled” immigrations are normally average skilled workers in their own country of origin and therefore, are most likely to withdraw the average income when working in their country of origin compared to another country abroad.

Other comparisons can be in the form of the individual comparison in terms of seniority, acquired skills and knowledge and effort and performance within the same organization.

## **CHAPTER 3 – RESEARCH METHODOLOGY**

### **3.0 Research Methodology**

#### **3.1 Introduction**

This chapter developed around the methodology of the study in the pursuit to understand the managers' perception on pay equity. The chapter is divided into three separate sections which touch on the detail explanation of the research design, study population and research instrument adopted for the purpose of this exploratory study.

#### **3.2 Research Design**

In order to meet the objectives to this study, the answers to the questions posted in the problem stated earlier are linked to Jacques's (1967) view on variables which affect pay equity as shown in Figure 1. Based on the extensive background work and literature review for the study on pay equity, the questions in the questionnaire are designed in the effort to derive the unambiguous answers for the study. The response and results to the questions would help us understand the perception of the managers on pay equity.

### **3.3 Study Population**

#### **3.3.1 Sampling Procedure**

The questionnaires were distributed at random to 107 managers who worked within the Malaysian oil and gas industry. The managers are attached to oil and gas related companies throughout the Peninsular Malaysia which consist of different and various aspects of the oil and gas industry including engineering and design consultants, PSCs, upstream operations, suppliers, construction or ship yards and downstream operations. The sample of targeted correspondents did not include any managers from Sabah and Sarawak due to the limitation of time and list of contacts.

The first part of the questionnaire require the respondent managers to provide demographic and perceptual data where the demographic data include the managers' age range, gender, manager's level or position in their organizations, their area of expertise, salary range, education level, years of experience in the particular area or job expertise etc.

In the second part, the managers are then asked to rank the variables (age, education level, no. of years of experience, no. of years of relevant work experience, past training/professional qualifications etc) to which they perceived to be determining

their current salary from the most influential (coded 1) to the least influential (coded 5).

In the final set of questions, the managers are asked to agree or disagree (based on a five point Likert scale) to the statements in the questionnaire with regards to their current salary from strongly agree (coded 1) to strongly disagree (coded 5)

### **3.4 Research Instrument**

Based on the pay equity theory by Jacques (1967), a questionnaire designed to act as the research instrument for this study. It is the main purpose of this questionnaire as a vehicle to obtain the perception of Managers, Senior Managers, General Managers and above regarding their salary with the following comparisons:

- a) Economic comparison
- b) Individual comparison
- c) Internal work content comparison
- d) External work content comparison

Emphasis on the questionnaire is given to salary related questions in which the managers are obliged to make comparisons in the context of internal and external environment within the same boundaries of their job nature and in the context of the Malaysian oil and gas industry.

Mean and standard deviation of the scores from the response of the questionnaire are then calculated to estimate the degree of agreement or disagreement and influence level for each of the variables asked in the questionnaire. The results obtained from this sample of population will be analyzed to enable us to come to the conclusion of this study and with anticipation, will be used as a basis for recommendation of further exploration studies on this particular topic.



## **CHAPTER 4 – RESULTS AND DATA ANALYSIS**

### **4.0 Results and Data Analysis**

#### **4.1 Introduction**

This chapter provides the explanation and interpretation of the data collected. The data are analyzed based on the answers obtained from the managers through the distributed questionnaire. The questionnaires were divided into three parts in the pursuit to obtain the various data for the purpose of meeting the objectives of this study.

They are :

- 1) Part A – to obtain demographic data of the respondents
- 2) Part B – to obtain respondents' perception on variable which has influence on one's salary determination
- 3) Part C – to obtained respondents' perception on pay equity based on Jaques's study (1967) : Economic comparison, Individual comparison, Internal work content comparison and External work content comparison

The questionnaires were distributed to 107 potential respondents with a mixed of local (Malaysians) and expatriates managers who are attached to various oil and gas companies in Peninsular Malaysia. Due to the limitations and constraints mentioned in the earlier chapters,

only 30 respondents returned the questionnaires safely via electronic mail.

## **4.2 Data Analysis – Demographic Data**

The demographic data attained were the reply of the respondents to Part A of the questionnaire where the respondents were asked to fill in the organization they are attached to, their age, nationality, gender, position in the organization, level of education, area of expertise and their years of relevant experience in the particular area of expertise. The results are summarized and shown in Table 3.

From the pool of data revealed in Table 3, it was found that the respondents consists of 83% were local (Malaysians) where 31% of them are women. This reflected quite a fair balance of men and women in terms of opinions for this study. Unfortunately, only 17% of the total respondents are expatriates whom are 100% men. Unlike the local managers, these small numbers of expatriates are partly due to the limited list of distribution for the expatriates.

Table 3. Demographic Data Summary

SUMMARY OF DEMOGRAPHIC DATA IN PERCENTAGE		
	LOCAL	EXPATRIATE
<b>NATIONALITY</b>	83	17
<b>GENDER</b>		
MALE	72	100
FEMALE	31	0
<b>SALARY RANGE</b>		
< RM 5,000	4	0
RM 5,001 to RM 8,000	24	0
RM 8,001 to RM 12,000	40	0
RM 12,001 to RM 15,000	12	0
> RM 15,001	20	100
<b>AGE RANGE</b>		
21 - 34	16	0
35 - 44	64	20
45 - 54	12	60
> 55	8	20
<b>POSITION</b>		
ASSISTANT MANAGER	8	0
MANAGER	60	80
SENIOR MANAGER	20	20
GENERAL MANAGER	8	0
VICE PRESIDENT	4	0
<b>QUALIFICATION</b>		
DIPLOMA	4	0
DEGREE	84	80
MASTERS	12	20
PHD	0	0
<b>YEARS OF EXPERIENCE</b>		
< 1	4	0
2 to 5	4	0
6 to 10	28	0
> 10	64	100
<b>AREA OF EXPERTISE</b>		
ENGINEERING	24	80
SALES/MARKETING	44	20
PROJECT MANAGEMENT	12	0
OPERATIONS	4	0
SUPPORT/ADMINISTRATION	4	0
MARINE	4	0
LEGAL	4	0
<b>COMPANY TYPE</b>		
MAJOR OIL COMPANY	28	20
OIL & GAS SERVICES	68	80
OTHERS	4	0

(n=30)

From the salary point of view, even though the expatriate data showed a mix of different age group, they seemed to withdraw a high salary bracket which in this case, their salary is all in the range of above RM15,000 (Ringgit Malaysia Fifteen Thousand). On the contrast, the pool of data by the locals (Malaysians) exhibited that different age group seemed to fall into different salary scales. However, the salary range above RM15,000 for the expatriates might be due to the years of experience where all of them have more than ten years of experience in their area of expertise which 80% are engineering or the technical line. Only 20% of the expatriates are in sales and marketing. Whereas, the locals data showed a mix of all area of expertise including project management, operations, support or administration, marine and legal or contracts.

Apart from that, all of the expatriates in this sample have experience of over 10 years. It showed that years of experience in the particular area of expertise plays an important role in the job they are hired for where majority of both the respondents' data from both the locals and expatriates, 68% and 80% respectively, are from the oil and gas companies which are involve in providing various services to the major oil and gas companies.

### **4.3 Data Analysis – Ranking of Variable Data**

Part B. of the questionnaire is designed to act as a medium to obtain respondents' perception (based on ranking) of the variables given which has influence on one's salary determination. The respondents are asked to rank the following variables:

- i) Nationality
- ii) Age
- iii) Years of Relevant Experience
- iv) Gender
- v) Level of Qualification
- vi) Seniority in the Company
- vii) Contracts of Permanent Staff
- viii) HR Policy
- ix) Area of Expertise/Specialization
- x) Purely Luck

The respondents are required to rank the listed variables from number one to ten where one is ranked as variable with the most influence and ten as the least influence variable. As ranking can be classified as a nominal scale, it is only logical that the data obtained is analyzed by the average and frequency of the ranking. The summary of data obtained for this part of the questionnaire is shown in Table 4.

Table 4. Variable Ranking Data Summary

<u>INDEPENDENT VARIABLES</u>	<u>MEAN</u>	<u>STD DEV</u>	<u>AD</u>	<u>P VALUE</u>
YEARS OF EXPERIENCE	2.231	1.583	2.347	<0.005
AREA OF EXPERTISE	3.769	2.422	1.518	<0.005
QUALIFICATION	4.462	1.772	0.674	0.069
HR POLICY	4.769	2.747	0.722	0.052
NATIONALITY	4.962	2.441	0.331	0.495
SENIORITY	5.654	2.856	0.420	0.302
CONTRACT OR PERMANENT	5.654	2.077	0.362	0.418
AGE	6.654	1.875	0.468	0.229
LUCK	8.115	2.819	3.393	<0.005
GENDER	8.731	1.116	1.677	<0.005

(n=30)

From the outcome shown in Table 4, the variable, “Years of Experience”, with an average ranking of 2.231, is found to be the least or smallest number in ranking. Ranking 1 to 4 given by the respondents for this variable is 84% and only 16% ranked it a 5 or 6. This means that majority of the respondents perceived that this variable has the most influence on their salary determination.

The variable, “Area of Expertise” was found to be the second place in ranking, in terms of what is perceived to be the most influential variable for salary determination. The average ranking of 3.769 can be seen as an evidence for this finding where merely 28% ranked it as more than 5. The highest ranking given was 9. This again signifies that none of the respondents thought that “Area of Expertise” is the least influential variable on one’s salary determination. Thus, it is safe to mention that majority of the respondents acknowledged that they have earned their current salary through their relevant years of experience and area of expertise.

This is somehow aligned with a study by Roos and Ross (1997) where it was defined that the firm does not own human resources. Human resources include the knowledge, the competence, intellectual agility, relationship ability and attitude of the employees. The firm will usually try to extract maximum value from these intangible resources, through its tangible resources which are monetary and physical resources.

Other variables like "Level of Qualification", "HR Policy" and "Nationality" was found to be similar in average ranking of more than 4 but less than 5. The result illustrated that these three variables being almost the same influence in being conditions for salary determination.

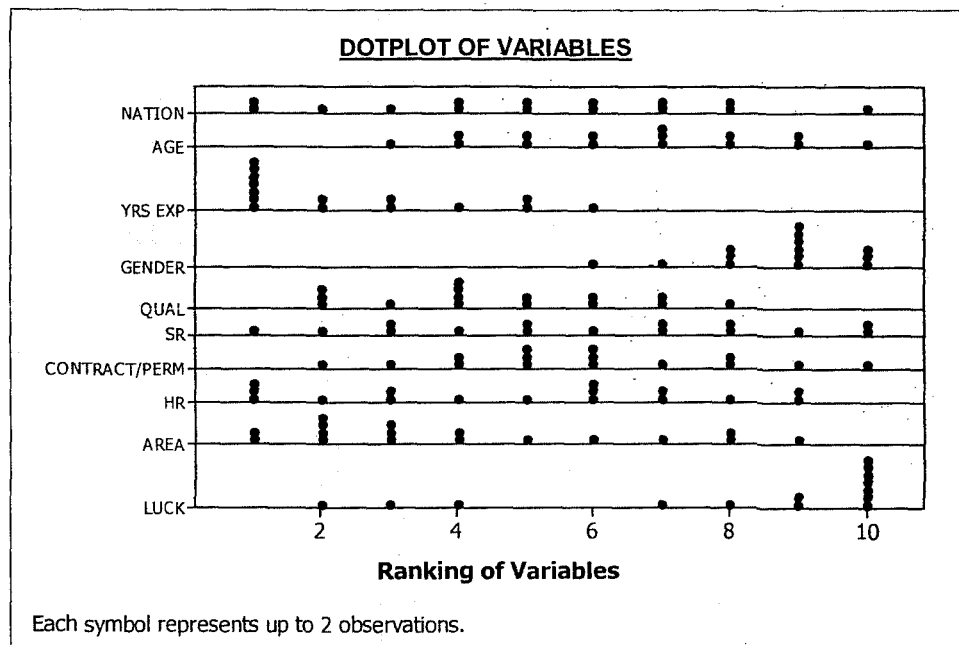
On the other hand, the variables "Seniority in the Company" and "Contract or Permanent Staff" resulted in the same average ranking of 5.654. But only 4% of the respondents ranked "Contract or Permanent Staff" with 10 whereas 12% ranked 10 for variable "Seniority in the Company". This connote that both variables leans towards being the perceived least influential variables on salary determination.

Apart from that, it was unexpected that the data showed the perceived least influential variable on salary determination was ranked as "Gender" and not "Luck". But from a study by Tang *et al.* (2005), incomes seem to differ by race and gender. The African-Americans have a significantly lower income than the Caucasians. Females were also found to have lower incomes than males. Therefore, it should be

interesting to take a closer look at the pay inequity and discrimination of gender and race, which in this case, local or expatriate.

The frequency of ranking for each variable is also translated and illustrated as dotplot in Figure 2. The dotplot clearly exhibit that variables, “Years of Experience” and “Area of Expertise” were highly ranked as 1 and 2 respectively. On the contrast, the variable, “Gender” was most frequently ranked as 9 and “Luck” ranked as 10.

Fig 2. Dotplot of Variables :



(n=30)

#### 4.4 Data Analysis – Pay Equity

Based on Jacques (1967)’s theory on pay equity, Part C of the questionnaire is designed to obtain the perception of pay equity by the managers through the following factors:



- i) Economic comparison
- ii) Individual comparison
- iii) Internal work content comparison
- iv) External work content comparison

The response to the statements in this section is based on a five point Likert scale, from which the managers are required to response with regards to their current salary from strongly agree (coded 1) to strongly disagree (coded 5). Since a five point Likert scale is an interval scale, analyzing the distance or differences in order is more relevant than analyzing the differences in the degree of order.

#### 4.4.1 Economic Comparison

The statements in this section are designed to see the views of the managers on pay equity in terms of economic comparison. The summary of the managers' responses are shown in Table 5.

Table 5. Data Summary for Economic Comparison

No.	Economic Statements	Comparison	Strongly Agree & Agree	Neutral	Disagree & Strongly Disagree	Average Score
1.	<i>My salary is high because I am on contracts and not a permanent staff</i>		33%	23%	44%	3.37
2.	<i>My salary is not my only source of income</i>		17%	7%	76%	4.10
3.	<i>My salary is adequate to cover my monthly expenses</i>		40%	30%	30%	2.87

4.	<i>My salary allows me and my family to live in luxury</i>	23%	17%	60%	3.47
5.	<i>My salary could be higher because I know the company can afford to pay me better</i>	83%	7%	10%	1.80
6.	<i>My salary given by the company is good and fair</i>	17%	23%	60%	3.47

(n=30)

The data from Table 5 clearly appears to be saying that the pool of respondents admitted being a contract or permanent staff is somehow considered irrelevant to the salary received; while majority (more than 50%) of the respondents agree that their salary is their only source of income, and be of the same opinion that their pay is do not allow them and family to live in luxury. Unfortunately, majority the managers also agree that their current salary is unjustified and that the company can afford to pay them better.

This result somehow contradicts with a study conducted by Wheeler (2002). His study provided strong evidence that cultural values are related to equity sensitivity and thus reaction towards over-reward and under-reward situations, levels of satisfaction, willingness to work harder at a lower wage and emphasis on the work itself versus emphasis on pay.

#### 4.4.2 Individual Comparison

The statements in this section are designed to see the views of the managers on pay equity in terms of individual comparison. The summary of the managers' responses are illustrated in Table 6.

Table 6. Data Summary for Individual Comparison

No.	Individual Comparison Statements	Strongly Agree & Agree	Neutral	Disagree & Strongly Disagree	Average Score
1.	<i>My salary is higher than others who carry out the same work in this company</i>	7%	47%	47%	3.63
2.	<i>My salary is higher than others who do the same work but better than me in this company</i>	7%	47%	47%	3.60
3.	<i>My salary is based on the effort I put into my work</i>	33%	23%	44%	3.00
4.	<i>My salary is based on my long service with the company</i>	27%	23%	50%	3.30
5.	<i>My salary is based on my skills (expertise) and knowledge</i>	63%	17%	20%	2.33

(n=30)

With reference to Table 6, the managers seemed to have a common view that their long service in the company is irrelevant when it comes to their pay. On the contrast, the managers are found to find a common ground that their pay is based on their skills or expertise and knowledge that they have obtained over

the years. According to Naumann *et al.* (2002), for organizational science, understanding individuals' perception of entitlement is fundamental to understanding employees' expectations and the nature of exchange between each individual and the employing organization.

Most of the managers appear to be unsure or on a neutral basis when it comes to comparing oneself with others within the same organization. This might be true as pay is treated "private and confidential" and therefore, explains why individuals in any organization is unable to gauge what others' pay are. Apart from that, the data obtained gave the impression that most of the managers disagree that their pay is based on the effort they put into their work. Kubo and Saka (2002) in their work also acknowledged that the organizations must address the needs of knowledgeable workers and their efforts in the pursuit of staying competitive.

#### **4.4.3 Internal Work Content Comparison**

The statements in this section are designed to see the views of the managers on pay equity in terms of internal work content comparison. The summary of the managers' responses are shown in the following Table 7.

Table 7. Data Summary for Internal Work Content Comparison

No.	Internal Work Content Comparison Statements	Strongly Agree & Agree	Neutral	Disagree & Strongly Disagree	Average Score
1.	My salary is higher than my subordinates	60%	23%	20%	2.50
2.	My salary is higher than my boss	3%	10%	87%	4.40
3.	My salary is higher than my colleagues of the same level/position	13%	37%	50%	3.57
4.	My salary is the highest among all area of expertise within the company	3%	17%	80%	4.27

(n=30)

According to the results in Table 7, it is obvious and reasonable to say that the managers acknowledged the fact that by ranking or level of position in the company, their pay is higher than their subordinates but lower than their bosses. On the opposite, half or more of the managers came to agree that their salary is not higher than their colleagues of the same position in the company. A separate study has shown that successful skills and resources conversion into a unified set of competencies is the basis for cost or differentiation strategy (Powers and Hahn, 2002). Apart from that, Barrett, Burgin and Duffy (2005) and Zavodny (2001) discussed the balance of skill required and wages. According to them, this is to ensure the right pay is set for the right skills required for the job.

The managers also seemed to agree that their salary is not the highest among all area of expertise within the organization. This result is similar to what Powers and Hahn (2002) felt. They mentioned that it is important to know how skills and resources need to be leveraged into competitive advantage.

#### 4.4.4 External Work Content Comparison

The statements in this section are designed to see the views of the managers on pay equity in terms of external work content comparison. The summary of the managers' responses are shown in the next Table 8.

Table 8. Data Summary for External Work Content Comparison

No.	External Work Content Comparison Statements	Strongly Agree & Agree	Neutral	Disagree & Strongly Disagree	Average Score
1.	<i>My salary is higher than others who do the same work in other companies</i>	7%	43%	50%	3.70
2.	<i>My salary is higher than others who do the same work better than me in other companies</i>	7%	43%	50%	3.70
3.	<i>My salary is compatible with my level of position and my area of expertise with others in the company</i>	33%	17%	50%	3.40
4.	<i>My salary is the highest among all area of expertise within the oil and gas industry</i>	3%	13%	84%	4.33

(n=30)

With reference to Table 8, the respondents viewed that their salary comparatively is not higher than the employees in other

organization with the same position and work scope. Bulk of the managers also expressed that their salary is not the highest among all area of expertise within the oil and gas industry. Neither do they think that their salary is compatible with their level of position and area of expertise with their other colleagues within the same organization.

## **CHAPTER 5 – DISCUSSION AND CONCLUSION**

### **5.0 Discussion and Conclusion**

#### **5.1 Introduction**

After decades of being in the oil and gas industry, there is yet the impression that PETRONAS, or Malaysia as a whole, is deficient in terms of skilled manpower for the industry. Cross-border or globalization of material and labor has caused significant impact especially on the world economic aspect of equity and equality.

By using the data obtained and analyzed in the previous chapters, this chapter provides the conclusion as whole of what has been enlightened and interpreted. The conclusion is driven merely by the limited circumferences and the data acquired for this study. Though the data might not be representative of the total population, it is adequate and relevant to be used as the basis to come to the conclusion of this paper.

#### **5.2 Pay Influence**

As discussed in the earlier chapter, the variables which perceived and chosen by the respondents, regardless of local or expatriate, young or old, male or female, all of them seemed to agree that the



most influential factor on their salary determination are “Years of Experience” and “Area of Expertise”. These top ranking of both “Years of Experience” and “Area of Expertise” are aligned with the results from a study conducted by Jones and Lloyd (2005). Jones and Lloyd found that the skill and emotional intelligence of individual line managers recognizing and sustaining opportunities for growth within the organization plays an important role in motivation and promoting the culture to contribute. As such, it's obvious why the Malaysian managers considered these two elements as important aspect in influencing and contributing to their withdrawn salary.

Lucas (2001), in another research cited that the growth of global migration is likely to grow where migration is a potential solution to supporting an aging population. The preference is to attract highly skilled workers in which the net fiscal contribution of the highly skilled tends to be greater than those who are unskilled. Another study conducted by Ghose (2002) suggests that the growth of trade is expected to increase the average skill level of migrants. Clearly here, skill or area of expertise is a significant factor for both the employees and the employers.

Other variables like “Age”, “Seniority in the Company”, “Contract or Permanent Staff”, “Level of Qualification”, “HR Policy” and “Nationality” don't seem to have a significant impact when it comes to factors which

are perceived to have the influence on the managers' salary determination within the Malaysian oil and gas industry.

On the contrast, the variables, "Luck" and "Gender" resulted in the bottom two of the ranking exercise. In this study, both female and male respondents exhibited the same opinion. This apparently contradicts the studies conducted by Kara (2006) and Perez, Carnicer and Sanchez (2002), where they discussed about the significance of gender discrimination and differential effects and perceptions of gender towards jobs and wages received between male and female.

Tang *et al.* (2005) also learned that the results of direct path alone showed that income contribute to pay satisfaction. This result is true for Caucasians males and females in the sample but not for the African-Americans. Income significantly increased the importance of the love for money for African-Americans and females.

### **5.3 Pay Equity**

From the theory founded by Jaques (1967), pay determination must be seen from the economic and the sociopolitical contexts. In other words, the individuals want to maximize their living standards while the company intends to minimize the wages given to the individual. Therefore, pay equity is highly dependant on the contexts' equal balance of the following four major components:

- i) Economic comparison

- ii) Individual comparison
- iii) Internal work content comparison
- iv) External work content comparison

As pay equity is a relative concept, it is said to be accomplished when individuals feel that they are not treated differently between one individual than another.

Through the pool of respondents, it was found that from the economic point of view, more than 50% of the managers agree that the company could pay them better and the salary was given was perceived to be unfair. On top of that, majority of the managers also agree that their salary is their only mode of income and that they, as a family, are not permitted to live in luxury with their current income level received from their company. Hence, it can be translated that the managers do not perceived pay equity in the contexts of economic comparison.

But in a study conducted by Tang, Kim and Tang (2002), it was discovered that for full time employees, money attitudes were not related to pay satisfaction as the employees in this category tends to be older, male and have higher level of education. Non-employed students, on the other hand, have higher life satisfaction, lower protestant work ethic, and think more strongly that money does not represent their success.

Even though the sample of the population in this study was taken from various Malaysian oil and gas companies, they all seemed to have a uniform perception towards pay equity. In terms of individual comparison, bulk of the managers agreed that their salary is highly dependent on their skills and expertise. This is inline with the conclusion derived from Part A of the questionnaire where the ranking of “Years of Experience” and “Area of Expertise” ranked the top two. Unfortunately, the managers did not perceived justice was made on their pay when it comes to their work effort, their long service in the company and their salary compared to others who carry out the same scope of work within the same company. This result seemed to be similar with findings by Lee and Lim (2001), where they found that individuals felt that money they earned was not a reflection of their abilities and efforts.

Considering Huseman *et al.*(1985, 1987) earlier theory as the basis and foundation to this argument, a more recent study by Wheeler (2002), found that there are two types of main cultural values within the organization that influence the employees’ equity sensitivity. Employees who are high in collectivism will also be high in equity sensitivity. These individuals would prefer reward system that emphasis on intrinsic outcomes, including meaningful, challenging work and a sense of accomplishment. They would be willing to

produce more for lesser pay. Whereas, the employees with lower collectivism will prefer outcomes such as pay and fringe benefits.

As for internal work comparison, the managers perceived that pay equity is met within the internal organization when it comes to the salary evaluation of their bosses and subordinates, but not when it leans towards the area of expertise and others of the same level of position. In the view of external work comparison, 50% or more of the managers perceived that their pay is comparatively not higher than those in other organizations. This is somehow true like the saying, "the grass always seems to be greener on the other side". Thus, managers perceived that pay equity is close to non existence when it is weighted against one company with another by these individuals who are executing the same load of work with the same level of position.

The result of this study once again found to be aligned to Huseman *et al.*(1985, 1987) theory. The theory was further explored by Shore (2003) which concluded that all three equity sensitivity groups, Benevolents, Entitleds and Equity Sensitives preferred being over-rewarded to being equitable rewarded, and were relatively distressed when under-rewarded. Prior studies have also reported relationships between equity sensitivity and various personal constructs, work attitudes, work performance and cultural values.

## 5.4 Overall Conclusion

By the observations made through this study, it can be safely be assumed that both the local and expatriate managers within the Malaysian oil and gas companies see that skill and years of relevant expertise are the main criteria when it comes to salary determination. Apart from that, pay equity is perceived not accomplished as the result summed up as “dissatisfaction” or “disagreement” on majority of the elements - economic comparison, individual comparison, internal comparison and external comparison.

On the overall, the outcome of this study in a way is similar to what has been written by Tang *et al.* (2005). Tang concluded that compensation managers need to:

- i) manage pay equity, procedural and distributive justice regarding race and gender
- ii) create open and transparent pay systems to attract, retain and motivate employees; and
- iii) improve commitment, pay satisfaction, performance and the bottom line of organizations more effectively and efficiently than before in order to stay competitive

All of the points mentioned above is obviously important and required to keep the employees motivated and ensure pay equity prolong existence within the organizations. This will help to ensure equity and equality stability within the Malaysian oil and gas labor market.

It is also safe to say that the findings of this study is highly consistent with the motivational views of former CEO Jack Welch, who is widely acknowledged to have breathed new life into a well-respected, but somewhat “sleepy,” General Electric. Changing GE’s pay system to provide much higher rewards for strong individual and organizational performance was one of the pivotal tactics in Welch’s overall strategy for revitalization and growth:

I think showering rewards on people for excellence is an important part of the management process. There’s nothing I like more than giving big raises . . . . You have to get rewarded in the soul and the wallet. The money isn’t enough, but a plaque isn’t enough either. . . . you have to give both. (Jack Welch, quoted in Hymowitz & Murray, 1999, p. B1)

## **5.5 Recommendation**

It is suggested that one of the ways to strengthen the conclusion of this study, is to include a larger sample size which contains a pool of managers from East Malaysia. Apart from that, it would be interesting to explore the actual data of the managers’ salary of the Malaysian oil and gas companies and compare these data against the perception received from the same managers. This would help to reveal the actual facts on whether the balance of the elements of the pay equity exists and what is the gap between the actual and perceived data.

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## APPENDIX I - QUESTIONNAIRE

### PART A

Page 1 of 2

**Instruction Note:** Kindly fill the following information

Company : \_\_\_\_\_

Nationality : Local/Expatriate

Gender : Male/Female

Salary : \_\_\_\_\_

Age : \_\_\_\_\_

Level of Position/Designation (Please mark **X** in the appropriate box):

- ☐ Assistant Manager
- ☐ Manager
- ☐ Senior Manager
- ☐ General Manager
- ☐ Others : .....

Level of Education (Please mark **X** in the appropriate box):

- ☐ Certificate
- ☐ Diploma
- ☐ Degree
- ☐ Masters
- ☐ Phd
- ☐ Others : .....

Relevant Working Experience (No. of Years) : \_\_\_\_\_

Area of Specialization (Please mark **X** in the appropriate box) :

- ☐ Sales & Marketing/Business Development
- ☐ Administrative/Support (HR, Finance, Accounts, IT, Procurement etc)
- ☐ Contracts/Legal
- ☐ Project Management
- ☐ Electrical Engineering
- ☐ Mechanical Engineering
- ☐ Chemical/Process Engineering
- ☐ Marine Oil & Gas
- ☐ Others : \_\_\_\_\_

**Instruction Note:**

Kindly rank 1 to 10 for the following items starting with the items you think have the most influence (rank as 1) to the least influence (rank as 10) on your current salary determination

	<b><u>RANKING</u></b>
Nationality (Local or Expatriate)	_____
Age	_____
No. of years of relevant experience/expertise	_____
Gender	_____
Level of qualification	_____
Seniority (Years) in the company	_____
Contracts or Permanent Staff	_____
HR Policy (Salary Grade, Job Grade, Skill Grade etc)	_____
Area of specialization	_____
Purely Luck (or by chance)	_____

**PART C**

Page 1 of 2

**Instruction Note:**

Kindly mark X in column 1 (Strongly Agree), 2 (Agree), 3 (Neutral), 4 (Disagree) or 5 (Strongly Disagree) accordingly to reflect your opinion on the statements below.

No.	<i><b>My salary.....</b></i>	<b>Strongly Agree 1</b>	<b>Agree 2</b>	<b>Neutral 3</b>	<b>Disagree 4</b>	<b>Strongly Disagree 5</b>
1.	<i>is higher than the person whom I replaced in this position</i>					
2.	<i>is high because my position is a new position</i>					
3.	<i>is high because I am on contracts and not a permanent staff</i>					
4.	<i>is not my only source of income</i>					
5.	<i>is adequate to cover my monthly expenses</i>					
6.	<i>allows me and my family to live in luxury</i>					
7.	<i>could be higher because I know the company can afford to pay me better</i>					
8.	<i>given by the company is good and fair</i>					
9.	<i>is higher than others who carry out the same work in this company</i>					
10.	<i>is higher than others who do the same work but better than me in this company</i>					
11.	<i>is based on the effort I put into my work</i>					
12.	<i>is based on my long service with the company</i>					
13.	<i>is based on my skills (expertise) and knowledge</i>					
14.	<i>is higher than others who do the same work in other companies</i>					
15.	<i>is higher than others who do the same work better than me in other companies</i>					

**PART C****Page 2 of 2**

No.	<b><i>My salary.....</i></b>	<b>Strongly Agree 1</b>	<b>Agree 2</b>	<b>Neutral 3</b>	<b>Disagree 4</b>	<b>Strongly Disagree 5</b>
16.	<i>the highest among all area of expertise within the oil and gas industry</i>					
17.	<i>is compatible with my level of position and my area of expertise with others in the company</i>					
18.	<i>is higher than my subordinates</i>					
19.	<i>is higher than my boss</i>					
20.	<i>is higher than my colleagues of the same level/position</i>					
21.	<i>the highest among all area of expertise within the company</i>					